

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
LEGAL
WORKING FILE**

FROM: MICHAEL W. MORRISON

DATE: JANUARY 21, 2016

**RE: IDAHO POWER'S ANNUAL COMPLIANCE FILING TO UPDATE THE
SUBSTATION ALLOWANCE UNDER SCHEDULE 19, LARGE POWER
SERVICE, TARIFF ADVICE NO. 15-15**

BACKGROUND

On December 29, 2015, Idaho Power ("Company") filed a tariff advice with the Commission proposing an update to the Substation Allowance outlined in Schedule 19, Large Power Service, as required by Idaho Public Utilities Commission Order Nos. 32893 and 32914. The Company proposes that the updates become effective February 1, 2016.

STAFF ANALYSIS

Staff reviewed the Company's cost estimation methodology, and found it to conform with the methodology used in IPC-E-13-09 (Glanbia Foods Petition for Allowance to Rule H), and IPC-E-14-01 (Schedule 19 Update, Tariff Advice No. 13-08). Under this methodology, the Company determines the per MW substation allowance by dividing the fully loaded costs of constructing a standard 30 MVA substation by 30.

Overall, the Substation Allowance increased 0.18% from \$65,787 to \$65,985 per MW. This increase was due to large increases in material costs that were largely offset by decreases in general overhead costs.

The 4 Unit Metalclad used to determine the substation allowance was responsible for the largest increase, from \$552,640 to \$650,126 (17.6%). The cost of a 138 kV Airbreak Switch increased 33.8%, from \$11,948 to \$15,987. The Company attributes these price increases to

limited world-wide manufacturing capacity and an uptick in increased world-wide demand for these particular components. These increases were partially offset by a 7.3% decrease in the cost of the 138kV/13.09kV 30 MVA transformer, from \$796,294 to \$748,138. The Company explained that costs for this transformer are largely determined by copper and iron prices, which have decreased during the past 12 months.

The cost of overhead decreased 20.7%, from 242,829 to \$192,556. The Company explained that the Company has undertaken an unusually large number of construction projects over the past year, and attributed this decrease to economies of scale within the Company.

STAFF RECOMMENDATION

The Company's methodology is consistent with that approved by the Commission in Order Nos. 32893 and 32914. Staff therefore recommends that the Company's proposed update to Schedule 19 be approved with an effective date of February 1, 2016.

COMMISSION DECISION

Does the Commission wish to approve the Company's proposed update to Schedule 19 with an effective date of February 1, 2016?



Michael W. Morrison

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